



An Audit of the **Texas State Board of Plumbing Examiners**

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Glenn Hegar
Texas Comptroller of Public Accounts



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Executive Summary

Purpose and Scope

The objectives of this audit were to determine whether the Texas State Board of Plumbing Examiners (Board):

- Procured contracts according to applicable state laws and Comptroller requirements.
- Processed payments according to applicable state laws, Comptroller requirements and statewide automated system guidelines.
- Maintained documentation to support those payments.
- Properly recorded capital and high-risk assets.
- Implemented appropriate security over payments.

This audit was conducted by the Texas Comptroller of Public Accounts (Comptroller's office), and covers the period from Dec. 1, 2020, through Nov. 30, 2021.

Background

The fundamental mission of the Texas State Board of Plumbing Examiners (TSBPE) is to help protect the health and safety of the citizens of the state of Texas by ensuring that our drinking water, air, and medical gases are free from contaminants. The TSBPE's

examination function ensures that all those who hold a plumbing license or endorsement have met or exceeded minimum standards of competency and have the knowledge and experience needed to perform plumbing work properly. Identifying and penalizing individuals and companies offering or performing plumbing services without the proper license reduces the risk posed to consumers by improperly installed plumbing.

Texas State Board of Plumbing Examiners website

<https://tsbpe.texas.gov/>

Audit Results

The Board mostly complied with the General Appropriations Act (GAA), relevant statutes and Comptroller requirements. Auditors found no issues with refund of revenue transactions and property management. However, the Board should consider making improvements to its payroll, purchase/procurement, payment card, travel, internal control and security processes.

Auditors reissued one security processes finding from the previous audit, which was issued in February 2016. An overview of audit results is presented in the following table.




Table Summary

Area	Audit Question	Results	Rating
<u>Payroll Transactions</u>	Did payroll transactions comply with the GAA, pertinent statutes and Comptroller requirements?	Incorrect payments to hourly employee.	Compliant, Findings Issued
<u>Purchase/Procurement and Payment Card Transactions</u>	Did purchase, payment card and contract transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Purchase order created after invoice.• Missing purchasing documentation.• Missing vendor compliance checks.• Failure to report to the Legislative Budget Board.• Prompt payment and payment scheduling errors.	Compliant, Findings Issued
<u>Travel Transactions</u>	Did travel transactions comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Lack of conservation of state funds/missing complete mileage documentation.• Missing state of Texas travel voucher.	Compliant, Findings Issued
<u>Refund of Revenue Transactions</u>	Did refund of revenue transactions comply with the GAA, pertinent statutes and Comptroller requirements?	No issues	Fully Compliant
<u>Fixed Assets</u>	Were tested assets in their intended location and properly reported in the State Property Accounting system?	No issues	Fully Compliant



Repeat Finding



Area	Audit Question	Results	Rating
<u>Targeted Analysis</u>	Did transactions from the targeted analysis comply with the GAA, pertinent statutes and Comptroller requirements?	<ul style="list-style-type: none">• Duplicate payment.• Incorrect billing account number.• Incorrect transaction code and Texas identification numbers.	Compliant, Findings Issued
<u>Security</u>	Are Board employees who are no longer employed or whose security was revoked properly communicated to the Comptroller's office?	Failure to notify Comptroller to remove employee from signature card and failure to request security access removal.	Control Weakness Issues Exist
<u>Internal Control Structure</u>	Are duties segregated to the extent possible to help prevent errors or detect them in a timely manner and help prevent fraud?	 Control weakness over expenditure processing.	Control Weakness Issues Exist



Repeat Finding

Key Recommendations

Auditors made several recommendations to help mitigate risk arising from control weaknesses. Key recommendations for the Board include:

- Review hourly employee timesheets for accuracy and certify before a payroll payment is disbursed. All entries in the payroll system must reflect the correct coding to create the payroll document.
- Ensure it does not make any payments without sufficient supporting documentation, including the requisition, purchase order and invoice.
- Ensure that the set-aside contracts for goods and services offered by WorkQuest receive priority over open-market purchases, and that the proper reports are filed showing all purchases made as exceptions to the set-aside contracts.
- Conduct all vendor compliance checks before any purchase, contract award, extension or renewal.
- Report contract awards and purchases to the Legislative Budget Board (LBB).
- Ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring interest liabilities.
- Develop procedures for travelers to complete cost comparisons prior to travel and subject to approval in order to safeguard state resources.



- Ensure that travel vouchers are completed for reimbursements of non-overnight meals.
- Ensure that the invoice/cash receipts record and the payment/refund are reconciled to prevent duplicate payments.
- Ensure payments for third-party transactions are processed in accordance with state policies and procedures.
- Ensure compliance with the security revocation requirements for terminated employees.
- Have controls over expenditure processing that segregate each accounting task to the greatest extent possible.



Detailed Findings

Payroll Transactions

Auditors developed a sample totaling \$85,177.64 from a group of 10 employees and 59 payroll transactions to ensure the Board complied with the GAA, [Texas Payroll/Personnel Resource \(FPP F.027\)](#) and pertinent statutes. Audit tests revealed the following exception in this group of transactions. Additionally, a limited sample of three voluntary contributions transactions was audited with no exceptions identified.

Incorrect Payments to Hourly Employee

Auditors identified one employee in the sample whose payroll was processed incorrectly. The position was classified as hourly, part-time non-exempt from June 2016 through August 2020 and was reclassified as hourly, part-time exempt from September 2020 through January 2021. The position was budgeted as a 50% full-time equivalent (FTE), or 20 hours per week. The Board was unable to provide timesheets for the time in question, and the timesheets that were provided were not signed by the appropriate supervisor. The timesheets also included estimated time worked, estimated leave to be taken, and estimated holiday hours earned for the last half of the month; however, reconciliations were not documented to verify the estimated times were accurate. The employee was also paid for leave taken in weeks where the employee had already worked the scheduled 20 hours allowed for the position. In addition to the missing/incomplete timesheets, the following issues were identified:

- When classified as part-time non-exempt (timesheets were available for February 2019 and June through August 2020):
 - Overtime not paid to the employee in the amount of \$815.93.
 - Holiday time overpaid to the employee in the amount of \$607.20. See [Texas Payroll/Personnel Resource – General Provisions – Holidays](#).
 - Unallowable leave paid in the amount of \$740.03.
- When classified as part-time exempt (timesheets were available for October 2020 through January 2021, September 2020 is included in the extra hours and holiday pay calculation only):
 - Holiday time overpaid to the employee in the amount of \$1,214.40. See [Texas Payroll/Personnel Resource – General Provisions – Holidays](#).
 - Unallowable leave paid in the amount of \$2,134.69.
 - Unallowable extra hours (compensatory time) paid in the amount of \$16,840.31. An employee not subject to the Fair Labor Standards Act (FLSA), may be allowed to accrue compensatory time for the number of hours that exceed the scheduled hours for the work week. See [Texas Payroll/Personnel Resource – General Provisions – Pay as it Applies to Part-time Employees](#).



It is the Board's responsibility to ensure its payroll expenditures comply with state and federal laws and rules, determine its legal authority for making each payment resulting from a payroll document before that document is submitted to the Comptroller's office, and ensure it maintains necessary documentation for proving each payment resulting from a payroll document is legal, proper and fiscally responsible. Incorrect payments require the overpaid amount to be recovered from the employee per Texas Payroll/Personnel Resource – General Provisions – Overpayments. The Board stated this was due to a misunderstanding of state payroll policies. The employees who made these adjustments are no longer employed by the Board.

Recommendation/Requirement

Board employees must have an established work schedule regardless of hourly or salaried status. All timesheets for hourly employees must be reviewed for accuracy and certified before a payroll payment is disbursed. Exempt employees must accrue compensatory time for additional hours worked and cannot be paid for leave in weeks where the employee worked the total number of scheduled hours. All entries in the payroll system must reflect the correct coding to create the payroll document.

Board Response

Payroll for hourly employees is processed twice a month. Hourly employees are paid on regular payroll based on hours worked up to the day before payroll is processed, and are paid based on hours worked and approved in the Centralized Accounting Payroll/Personnel System (CAPPS). A supplemental payroll is processed after the first working day of the following month to compensate hourly employees for the remainder of worked time approved in CAPPS. When payroll is processed, total hours by employee are calculated for the month to ensure employees are not paid more than the maximum hours available in any given month. As part of the onboarding of new staff, the FLSA exemption status is processed, and employees properly accrue annual leave based on the initial determination of FLSA status.

Purchase/Procurement and Payment Card Transactions

Auditors developed a sample of 25 purchase transactions totaling \$50,270.30 and 10 payment card transactions totaling \$4,205.44 to ensure the Board complied with the GAA, [eXpendit \(FPP I.005\)](#) and pertinent statutes. Audit tests revealed the following exceptions in these transactions.

Purchase Order Created After Invoice

Auditors identified one purchase transaction that was not supported by a purchase order (PO). The Board's procedures require staff to create a PO before obtaining goods and services, but the Board was unable to locate the PO. The PO is prepared by the purchaser and is reviewed and approved by the Director of Financial Operations. The



accountant then reviews each invoice for validity and accuracy and then compares it to the PO, requisition, receipts and other applicable documentation. According to the Board, inexperienced procurement staff produced a late quarterly PO for the second quarter invoice. The employees who made the purchase are no longer employed by the Board.

Without a PO, it is difficult for the Board to ensure it was not overcharged or billed for goods or services beyond those it agreed to purchase. Without proper documentation, auditors could not determine if the information entered in the Uniform Statewide Accounting System (USAS) accurately reflected the purchases.

The Board must maintain proper documentation to verify that payments are valid and to ensure a proper audit trail. According to [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), an agency must maintain the necessary documentation for each purchase to prove the payment is legal, proper and fiscally responsible.

Agencies must make supporting documentation available to the Comptroller's office in the manner required. See [34 Texas Administrative Code Section 5.51\(e\)\(2\)-\(3\)](#). The documentation must be maintained until at least the end of the second appropriation year after the appropriation year the transaction was processed in USAS. See [34 Texas Administration Code Section 5.51\(e\)\(5\)\(A\)](#).

Recommendation/Requirement

The Board must ensure it does not make any payments without sufficient supporting documentation to show the purchase was valid. It must also maintain supporting documentation for audit review.

Board Response

The agency implemented processes to retain procurement documentation with each payment voucher, including all vendor checks, purchase order documents, receiving documents and approved requisitions. With the exception of utilities, payment vouchers are processed against purchase orders in CAPPs. Requisitions are currently processed outside of CAPPs, and are retained in the procurement file, with a copy attached to the payment vouchers. The Director of Financial Operations reviews all payment vouchers for documentation completeness before releasing each payment voucher.

Missing Purchasing Documentation

Auditors identified one purchase and one payment card transaction that was not supported by a PO or a requisition, one purchase transaction that was missing the WorkQuest exception documentation, and one payment card transaction that was missing an invoice. The Board's procedures require the creation of a requisition and



a PO prior to obtaining goods and services, documentation of exceptions to the use of required contracts, and retention of invoices for payment card purchases. The Board stated that these procedures were not followed due to turnover and new, inexperienced staff.

When an agency identifies a need for goods or a service, it uses the most common procurement planning document, a purchase requisition. The requisition is then sourced to a purchaser who will write a PO. The purchasing department creates a PO, which is a contract between the Board and the vendor. When the Board enters into a contract for goods or services with a vendor, expenditures under the contract may not exceed the established limit. Without a PO, it becomes difficult for the Board to ensure it was not overcharged or billed for goods or services beyond those the Board agreed to purchase. Without proper documentation, auditors could not determine whether the information entered in USAS was an accurate reflection of the purchases. Proper documentation must be maintained to verify that payments are valid and to ensure a proper audit trail.

As provided by [34 Texas Administrative Code Section 5.51\(c\)\(1\)\(D\)](#), it is the responsibility of a state agency and its officers and employees to ensure that for each purchase document, the agency maintains necessary documentation to prove each payment resulting from the document is legal, proper and fiscally responsible.

If a WorkQuest-offered product or service is obtained from another source, the agency must document which of the four authorized exceptions to the State Use program is used for the purchase: exception for quantity, exception for quality, exception for delivery time, and exception for life cycle costs. Price is not a factor used in the comparison of other sources to WorkQuest-provided products or services.

The purpose of exception reporting is to provide the Statewide Procurement Division (SPD) and the Texas Workforce Commission (TWC) with the data to identify and address deficiencies and to evaluate whether additional commercially sourced products should be added to SPD statewide contracts for situations where WorkQuest products do not meet agency needs. See [State of Texas Procurement and Contract Management Guide – The State Use Program Exception Reporting](#).

Recommendation/Requirement

The Board must ensure that documentation of the purchase requisition is prepared at the time the goods or services are requested and that invoices for purchases are retained. The Board may not pay any amount in excess of the agreed-upon amount unless the PO is amended due to the vendor providing a new benefit. The Board must also ensure that the set-aside contracts for goods and services offered by WorkQuest receive priority over open-market purchases, and that the proper reports are filed showing all purchases made as exceptions to the set-aside contracts.



Board Response

The agency requires signed requisitions for each purchase (whether purchase order or procurement card) before items are procured. Any purchase order changes require additional review and approval by the Director of Financial Operations and the Executive Director. All valid changes require an approved requisition to adjust the purchase order. The Board utilized set-aside contracts when items are available. The Board reports exceptions to the Comptroller of Public Accounts for all Workquest items that are procured through other sources. Texas Correctional Industries (TCI) available products that are procured through other channels go through the TCI waiver process before goods are procured from other sources.

Missing Vendor Compliance Verification Checks

The Board was unable to provide documentation that it performed the vendor compliance verification (VCV) checks for five purchase and three payment card transactions. The Board must provide dated proof to show it performed each verification. According to the Board, it experienced significant turnover during the audit period and lacked trained staff. Staff was aware of some checks required, but all checks were not performed based on limited experience in procurements.

Iran, Sudan and Foreign Terrorist Organization List Check

The Board was unable to provide proof staff conducted the Iran, Sudan and foreign terrorist check for five purchase transactions. Agencies may not contract with a company doing business with Iran, Sudan or a foreign terrorist organization. See [Texas Government Code, Section 2252.001](#), [2252.151\(4\)](#) and [2252.152](#). Before award, the Board must check the divestment lists to confirm the potential awardee is not in violation of this requirement. See [Texas Government Code, Section 2252.152](#). The divestment lists are maintained by the Texas Treasury Safekeeping Trust Company and posted to the Comptroller's [Divestment Statute Lists](#). If the business is in violation, an agency may not award the contract to that vendor.

Boycott Israel Check

The Board was unable to provide proof staff conducted the boycott Israel check for four of the purchase transactions before procuring the goods and services. Agencies may not contract with a company for certain goods or services unless the contract contains a written verification from the company that it does not boycott Israel and will not boycott Israel during the term of the contract. See [Texas Government Code, Section 2271.002](#). Before award, the Board must check the divestment lists to determine if the potential awardee is in violation of this requirement. See [State of Texas Procurement and Contract Management Guide – Boycott Israel Check](#). The divestment list is posted to the Comptroller's [Divestment Statute Lists](#). If the potential awardee is on the list, the Board may not award the contract to that vendor.



System for Award Management Check

Auditors noted that the Board did not search the System for Award Management (SAM) database for one purchase transaction before procuring the goods or services. The Board must check the SAM database to verify that the vendor is not excluded from contract participation at the federal level. A contract cannot be awarded to a vendor named on the U.S. Treasury Department, Office of Foreign Assets Control's master list of specially designated nationals and blocked persons (with limited exceptions set forth in [Presidential Executive Order 13224](#)).

Debarment Check

The Board did not search the Debarred Vendor List for one purchase transaction before procuring the goods or services. The contract developer (purchaser) must check the [Debarred Vendor List](#) posted on the Comptroller's website to confirm the vendor has not been debarred by SPD. See [State of Texas Procurement and Contract Management Guide – Debarment Check](#). [Texas Government Code, Section 2155.077](#), states that an agency must not award a contract to a debarred vendor. SPD may bar a vendor from participating in state contracts for substandard performance, material misrepresentations, fraud, breach of contracts with the state, repeated unfavorable performance reviews under [Texas Government Code, Section 2155.089](#) or repeated unfavorable classifications under [Texas Government Code, Section 2262.055](#). If a vendor is barred, SPD determines the period of debarment.

Warrant Hold Check

Auditors identified three payment card transactions where the Board did not document the verification of the vendor's warrant hold status before making a purchase. The Board must check warrant hold if a payment card purchase is over \$500. See [TexPayment Resource – Hold Special Circumstances – Payment Card Purchases](#) and [State of Texas Procurement and Contract Management Guide – Warrant/Payment Hold Check](#).

Recommendation/Requirement

The Board must conduct all VCV checks before any purchase, contract award, extension or renewal. The Board must retain results from each specified website and include them as evidence in the procurement file.

Board Response

The agency conducts all required vendor checks for all vendors. Each vendor hold check is added to the procurement file, and retained for each voucher for required backup documentation. Agency staff have been trained on proper processes and procedures, and checks are conducted on all vendors, regardless of the dollar value of the procurement. The complete procurement file is included as part of the backup documentation for each payment voucher.



Failure to Report to the Legislative Budget Board

Auditors identified one purchase transaction where the Board failed to report the lease contract to the LBB. The Board stated that there was a misunderstanding about whether the Board or the Texas Facilities Commission was responsible for reporting the contract. As a result of the audit, the Board has posted the information on the LBB database. According to the [GAA, Article IX, Section 7.04](#), a state agency must report all contracts over \$50,000 to the LBB.

Recommendation/Requirement

The Board must report contract awards and purchases to the LBB to comply with [GAA, Article IX, Section 7.04](#) and the [LBB Contract Reporting Guide](#).

Board Response

All procurements meeting reporting thresholds are reported on the LBB Contracts database. After the agency was notified about the posting of the agency building lease contract, the item was immediately posted. For this particular contract, the original contract was executed before the requirement to post on the LBB database (2013).

Prompt Payment and Payment Scheduling Errors

According to the prompt payment law, [Texas Government Code, Section 2251.021\(a\)](#), an agency's payment is overdue on the 31st day after the later of:

- The date the agency receives the goods under the contract.
- The date the performance of the service under the contract is completed.
- The date the agency receives an invoice for the goods or service.

The Comptroller's office computes and automatically pays any interest due under the prompt payment law when it is responsible for paying the principal amount on behalf of the agency. See [Texas Government Code, Section 2251.026](#) and [eXpendit – Prompt Payment](#).

During the audit period, auditors identified five purchase and 10 payment card transactions that were paid late, but interest was not paid to the vendors. According to the Board, new staff had not completed training and as a result failed to meet the requirements of the prompt payment law.

Recommendation/Requirement

The Board must review its procedures to ensure it both submits payment information for processing and releases payments in a timely manner to avoid incurring interest liabilities. In addition, the Board must verify that proper due dates are entered to ensure that, if interest is due, it is paid correctly to vendors. See [eXpendit \(FPP I.005\)](#).



Board Response

The agency implemented processes for tracking invoices, using spreadsheets and invoice receipt folders. The agency has significantly reduced the interest expenses incurred since April 2022. Newly hired staff have been trained about proper processes for paying interest in CAPPS and USAS. The Director of Financial Operations reviews each invoice to ensure invoice dates, service dates and payment due dates are correct. Each invoice and receipt document is date stamped. CAPPS automatically assigns a due date of 30 days from the later of invoice date or service date. The lead accountant verifies interest was properly paid to vendors on the daily DAFR reports, when applicable.

Travel Transactions

Auditors developed a sample of 15 travel transactions totaling \$4,769.38 and six non-overnight meals/board stipend transactions totaling \$1,108.00 to ensure the Board complied with the GAA, Textravel (FPP G.005) and pertinent statutes. Audit tests revealed the following exceptions for this group of transactions.

Lack of Conservation of State Funds/Missing Complete Mileage Documentation

Auditors identified six travel vouchers where the Board reimbursed travelers for mileage while operating personal vehicles to conduct official business, resulting in overpayments of travel reimbursements. Based on the car rental rates, taxes, cost of gas and standard mileage rates in effect at the time of travel, it would have cost the state less if the travelers had used rental vehicles instead of personal vehicles. An additional four travel vouchers lacked accurate point-to-point mileage documentation. In three instances, the voucher indicated that the traveler left from his residence, but his business address was used as the starting point and the traveler used Austin City Hall as the destination instead of the actual lodging. On the fourth voucher, no address or maps were provided and auditors were unable to verify if the mileage was calculated correctly. For testing purposes, auditors used city-to-city mileage when addresses were not available. The Board stated that this occurred due to a new staff accountant's failure to include point-to-point mileage on travel claims and using incorrect point-to-point travel information for two traveling board members.

[Texas Government Code, Section 660.007\(a\)](#) requires a state agency to minimize the amount of travel expenses paid or reimbursed. The agency must ensure that each travel arrangement is the most cost effective considering all relevant circumstances. Agencies must examine all travel reimbursements before payment to ensure compliance with applicable regulations and limitations. See **[Textravel – Home – Responsibilities](#)** and **[Textravel – Transportation – Mileage in personal vehicle – Mileage calculation](#)**. The number of miles traveled for state business should be determined by point-to-point itemization. The itemization must be sufficiently detailed for the agency reimbursing the mileage to verify the number of miles traveled.



Recommendation/Requirement

The Board should consider restricting the mileage reimbursement amount to the lower of mileage reimbursement or car rental costs. The analysis can be completed and documented using the [Rental Vehicle vs. Mileage Reimbursement Calculator](#) or any other method the traveler/agency chose to use. In addition, the Board should require a cost analysis before management approves travel plans to ensure the most cost-efficient method of travel.

Board Response

The agency began utilizing the rental vehicle vs Mileage Reimbursement Calculator just after the arrival of the new Director of Finance in February 2022. The Board will coordinate with Board Members to determine the most appropriate reimbursement rate for Board related travel, and will incorporate those changes once approved by the Board.

Missing State of Texas Travel Voucher

Auditors identified four non-overnight meal travel transactions where the Board reimbursed travelers without a travel voucher. Non-overnight meals are only reimbursable if the employee is outside his or her designated headquarters for at least six consecutive hours and may not exceed \$36 per day. See [Texttravel – Meals and Lodging – Non-Overnight Travel](#). The Board stated that this occurred because it has historically tracked all non-overnight meal approvals on a document log and has not required travel vouchers.

Recommendation/Requirement

The Board must ensure that travel vouchers are completed for reimbursements of non-overnight meals. The authorization for non-overnight meal expenses from the chief administrator must be attached to the travel voucher as part of the documentation. See [Texttravel – Documentation Requirements – Non-overnight meal expenses](#).

Board Response

The Board implemented a process to prepare and document travel reimbursement requests for staff that have same day travel. Each month, a travel voucher with same day reimbursement is prepared, submitted and filed for those staff that only have same day travel. If same day travel is included with any other travel expenses, the expense is processed recorded and filed with a regular travel expense claim.



Refunds of Revenue

Auditors developed a sample of five refunds of revenue transactions totaling \$9,925 to ensure the Board complied with state law and regulations pertaining to refunds of revenue. Audit tests revealed no exceptions in these transactions.

Fixed Assets

The audit included a review of a limited number of fixed assets acquired by expenditures during the audit period to test for accurate reporting and to verify the existence of assets. All assets tested were in their intended location and properly recorded in the State Property Accounting (SPA) system. Audit tests revealed no exceptions in these transactions.

Targeted Analysis

The audit included a review of several special reports generated outside the sample. Auditors reviewed the Board's procedures for processing these transactions to determine compliance with state rules, regulations and processing requirements. Audit tests revealed the following exceptions in the targeted analysis reports.

Duplicate Payment

In a report generated outside the sample, auditors identified one duplicate payment of a refund of revenue for overpayment of a licensing fee. The Board issued a refund in April 2021 and then again in June 2021. The Board stated it made fee and transaction changes to certain license types that required some payees to receive refunds. This reimbursement was included twice. Additional processes have been implemented to eliminate the possibility of errors in the future.

Recommendation/Requirement

The Board must enhance its procedures to identify potential duplicate payments/refunds of revenue to avoid processing duplicate payments/refunds to vendors/licensees. The accounting staff should ensure that the invoice/cash receipts record and the payment/refund are reconciled to prevent duplicate payments.

Board Response

Accounts payable records all invoices in a tracking log to track payments, and ensure that payments are not duplicated for vendors. Payments are processed and payment information is recorded when each invoice is paid with the payment number.

Refunds of fees are approved by the licensing department. All payments are reconciled in the VERSA licensing system with payment information recorded, VERSA tracks payment information for cash receipts, credit card receipts and refund information. The Licensing



Manager reviews the refund request and verifies the accuracy of the request against VERSA receipt and refund information and approves all reimbursement requests. All VERSA documentation and approvals are forwarded to finance to process the reimbursement. The Director of Finance reviews the backup included with the reimbursement request to verify overpayment before approving the payment voucher in CAPPs.

Incorrect Billing Account Number

In a report generated outside the sample, auditors identified 88 travel and procurement card documents totaling \$10,029.66 that were processed incorrectly to the state's payment card vendor. The Board failed to provide the correct billing account number as prescribed by [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#) and [USAS and CAPPs Financials Invoice Number Field Requirements \(FPP E.023\)](#). As a result, the vendor might not be able to post payments to its payment and travel card accounts. The Board stated that this occurred due to inexperienced staff using the invoice number instead of including the last 10 digits of the corporate billing account number.

Recommendation/Requirement

The Board must ensure payments for third-party transactions are processed in accordance with [FPP A.043](#) and [FPP E.023](#). To avoid account delinquency or reconciliation issues, auditors recommend the Board continue to review payment card statements to ensure payments are posted correctly.

Board Response

The agency hired and trained new staff on proper payment processing of third-party reimbursements. The Director of Financial Operations reviews all third-party payment vouchers to ensure the proper use of transaction codes, account numbers and vendor IDs in accordance with Accounting Policy Statements issued by the Comptroller of Public Accounts. The lead accountant prepares a monthly reconciliation to properly track payments, credits, and new charges, with a running balance of the overall account status. The Director of Finance reviews the reconciliation when reviewing monthly invoices, before processing payments.

Incorrect Transaction Code and Texas Identification Numbers

In a report generated outside the sample, auditors identified 37 transactions processed with an incorrect transaction code (T-code) and 153 payment card transactions and nine employee reimbursements that were processed using an incorrect Texas Identification Number (TIN). The Board made the payments to the payment card vendor using the non-specific payment card TIN to process the transactions. The non-specific TIN should be used only on third-party payment card transactions if the TIN/mail code is unknown



for a specific vendor and all efforts to obtain the vendor's TIN are unsuccessful. For the employee reimbursements, the employee information was entered as the vendor rather than the actual vendor where the goods or services were purchased. According to the Board, new staff was unaware of the requirement for the split transaction code vouchers and processed them using the incorrect transaction code. Additionally, the Centralized Accounting and Payroll/Personnel System (CAPPS) program included several new processes that staff was not aware of at the time vendor transactions were processed.

The report includes the details of transactions identified from payment cards and employee reimbursements. Auditors provided an electronic copy of the spreadsheet to the Board for review. The use of proper T-codes is necessary to capture the actual name of the vendors doing business with the state. The Comptroller's office captures vendor-level details in USAS for public information requests, historically underutilized business (HUB) reporting and more. Improper processing procedures can result in inaccurate expenditure reporting for public information requests. A correct TIN is necessary to identify the actual vendor/individual doing business with the state. See [Processing Third-Party Transactions in USAS for Payment/Travel Cards, Direct Bill Payments and Reimbursements \(FPP A.043\)](#), which explains how state agencies must use T-codes, TINs and comptroller objects to process third-party payments through USAS.

Recommendation/Requirement

The Board must modify or update its method for entry in USAS to ensure transactions include proper T-codes and employee/vendor level details required by [FPP A.043](#). This information is essential for an accountable and open government. It is also used for public information requests and post-payment auditing purposes.

Board Response

The agency hired and trained new staff on proper payment processing of third-party reimbursements. The Director of Operations reviews all third-party payment vouchers to ensure the proper use of transaction codes, account numbers and vendor IDs in accordance with Accounting Policy Statements issued by the Comptroller of Public Accounts. The lead accountant prepares a monthly reconciliation to properly track payments, credits, and new charges, with a running balance of the overall account status. The Director of Finance reviews the reconciliation when reviewing monthly invoices, before processing payments.

Security

The audit included a security review to identify Board employees with security in USAS or on the voucher signature cards who were no longer employed or whose security had been revoked. Upon termination or revocation, certain deadlines must be met so that security can be revoked in a timely manner. Audit tests revealed the following exception.



Failure to Notify Comptroller to Remove Employee from Signature Card and Failure to Request Security Access Removal

During the audit period, the Board failed to notify the Comptroller's office in a timely manner about the termination of one employee who had been designated to approve its expenditures. The request to remove the employee's security in USAS was sent seven days late and the request to remove the employee from the signature card was two days late. This could have permitted the employee to approve electronic and paper vouchers that were submitted to the Comptroller's office during that time. Any payment produced by an electronic or paper voucher that was approved by the terminated employee would have constituted an unapproved expenditure. The auditors researched the payments during this time period and determined no unapproved documents were processed during the audit period.

When an employee's authority to approve agency expenditures is revoked in USAS for any reason, the employee's security profile must be changed no later than the effective date of the revocation or termination to prevent the employee from executing electronic approvals for the agency. See [34 Texas Administrative Code Section 5.61\(k\)\(5\)\(A\)-\(B\)](#).

For signature cards, whenever a designated employee terminates employment with an agency, the agency must notify the Comptroller's office no later than the fifth day after the effective date of the employee's termination. Any officer or employee may send the Comptroller's office that notification. See [34 Texas Administrative Code Section 5.61\(k\)\(3\)\(B\)](#).

The Board stated that these issues occurred because the employee in question was also the security coordinator and as a result there was some difficulty in the transition of duties.

Recommendation/Requirement

The Board must ensure compliance with the security revocation requirements for terminated employees. It must also ensure that the person responsible for sending the revocation notifications to the Comptroller's office is aware of the employee's termination on or before the dates the revocation becomes effective and follows up with the Comptroller's office to ensure receipt of the notification and the revocation occurred.

Board Response

The agency security coordinator will submit documentation to the Comptroller of Public Accounts and through the statewide financial systems to remove access to the signature card and state financial systems on or before the employee departs the agency.



Internal Control Structure

The review of the Board's internal control structure was limited to obtaining reports identifying current user access. The review did not include tests of existing mitigating controls. The audit tests conducted revealed the following exceptions in user access.

Control Weakness Over Expenditure Processing

Auditors reviewed certain limitations that the Board placed on its accounting staff's ability to process expenditures. The review of the Board's segregation of duties was limited to obtaining reports identifying current user access. The audit tests revealed the following exceptions in user access:

- Two employees could process/enter/edit and release/approve payroll and payments in USAS and create/edit/update a vendor or employee profile/direct deposit information and warrant hold status in TINS while also on the agency's signature card (could approve a voucher for expedite) and could change the warrant hold status of a vendor or employee in TINS.
- One employee could process/enter/edit and approve payroll and payments in USAS while on the agency's signature card (could approve a paper voucher for expedite) and on the agency's Authorization for Warrant Pickup list.
- A fourth employee was on the agency's signature card (could approve a paper voucher for expedite) and was on the agency's Authorization for Warrant Pickup list.

The Board received a schedule of these findings during fieldwork. Auditors also ran a report to determine whether any of the Board's payment documents processed through USAS during the audit period because of the action of only one individual. The report indicated four USAS documents for payments totaling \$1,904.15 processed without electronic oversight. The Board stated that these issues occurred due to the size of the agency and limited staff available for these functions.

Recommendation/Requirement

To reduce risk to state funds, agencies must have controls over expenditure processing that segregate each accounting task to the greatest extent possible. Ideally, no individual should be able to process transactions without another person's involvement.

Auditors strongly recommend that the Board implement the following:

1. The Board must limit user access to either enter/change voucher or release/approve batch. If the Board cannot separate the functions and/or does not have other internal mitigating controls in place, the Board must elect to have the document tracking control edit on the Agency Profile (D02) set to either:



- Prevent a user from releasing a batch that the same user entered or altered.
- or–
- Warn the user when attempting to release his or her own entries or changes. See [USAS Accounting and Payment Control \(FPP B.005\)](#).

Additionally, the Board must review the preventive and detective controls over expenditure processing discussed in [USAS Accounting and Payment Control \(FPP B.005\)](#), such as the Risky Document Report (DAFR9840), which identifies documents that the same user entered or altered and then released for processing.

2. The Board must work with the Comptroller's office Statewide Fiscal Systems security staff to set up user profiles that separate the entry and approval of payroll transactions in USAS.
3. The Board must limit the access of users who can enter/change voucher or release/approve a batch in USAS and who can approve paper vouchers (being on the signature card) to view only access in TINS (PTINS02). An individual must not be able to approve a payment and create or change vendor or direct deposit information/profile, and/or change hold status.
4. The Board must limit user access by removing the user from the signature card or by removing the user from the Authorization for Warrant Pickup list.

Board Response

The Texas State Board of Plumbing Examiners has limited staff to enter and release batches in USAS. For financial payment transactions, the lead accountant inputs payment vouchers in CAPPS and the Director of Financial Operations approves vouchers and releases payment in CAPPS. For transactions that are USAS specific, the Director of Financial Operations will enter the document and release the document. The agency will include the security warning to notify the user before the batch is released. Typically, these batches include budget journal entries, default account clearing entries, end of fiscal year Annual Financial Report entries, and expenditure transfers entries. When a payment voucher requires modification in USAS, the Director of Financial Operations documents on the payment voucher backup documentation the reason for the change.

Once staff become trained in using USAS, the Board will limit the roles of the Director of Financial Operations to review and approve batches that have been input by the staff accountant.



Appendices

Appendix 1 — Objectives, Scope, Methodology, Authority and Team

Audit Objectives

The objectives of this audit were to:

- Ensure payments are documented so a proper audit can be conducted.
- Ensure payment vouchers are processed according to the requirements of any of the following:
 - Uniform Statewide Accounting System (USAS),
 - Uniform Statewide Payroll/Personnel System (USPS),
 - Standardized Payroll/Personnel Reporting System (SPRS),
 - Human Resource Information System (HRIS) or
 - The Centralized Accounting and Payroll/Personnel System (CAPPS).
- Verify payments are made in accordance with certain applicable state laws.
- Verify assets are in their intended locations.
- Verify assets are properly recorded for agencies and institutions of higher education that use the State Property Accounting (SPA) system.
- Verify voucher signature cards and systems security during the audit period are consistent with applicable laws, rules and other requirements.

Audit Scope

Auditors reviewed a sample of the Texas State Board of Plumbing Examiners (Board) payroll, purchase and travel transactions that processed through USAS, USPS and SPRS from Dec. 1, 2020, through Nov. 30, 2021, to determine compliance with applicable state laws.

The Board received appendices with the full report, including a list of the identified errors. Copies of the appendices may be requested through a [Public Information Act](#) inquiry.

Texas law requires the Texas Comptroller of Public Accounts (Comptroller's office) to audit claims submitted for payment through the Comptroller's office. All payment transactions are subject to audit regardless of amount or materiality.

The audit provides a reasonable basis for the findings set forth in this report. The Board should implement the recommendations listed in the Detailed Findings of this report. It is the Board's responsibility to seek refunds for all overpayments unless it determines it is not cost effective to do so. If necessary, the Comptroller's office may take the actions set forth in Texas Government Code, Section 403.071(h), to ensure that the Board's documents comply in the future. The Board must ensure that the findings discussed in this report are resolved.



Audit Methodology

The Expenditure Audit section uses limited sampling to conduct a post-payment audit, and relies on professional judgment to select areas the auditor considers high risk.

Fieldwork

Each auditor in the Expenditure Audit section approaches each audit with an appropriate level of professional skepticism based on the results of the initial planning procedures.

If an auditor suspects during an audit that fraud, defalcation or intentional misstatement of the facts has occurred, the auditor will meet with his or her supervisor, the Statewide Fiscal Oversight manager, or both, to decide what action or additional procedures would be appropriate.

Audit Authority

State law prohibits the Comptroller's office from paying a claim against a state agency unless the Comptroller's office audits the corresponding voucher.

- Texas Government Code, Sections 403.071(a), 403.078, 2103.004(a)(3).

State law allows the Comptroller's office to audit a payment voucher before or after the Comptroller's office makes a payment in response to that voucher.

- Texas Government Code, Section 403.071(g)-(h).

In addition, state law authorizes the Comptroller's office to conduct pre-payment or post-payment audits on a sample basis.

- Texas Government Code, Sections 403.011(a)(13), 403.079, 2155.324.

Audit Team

Amanda Price, CTCD, CFE, Lead Auditor

Anna Calzada, CTCD



Appendix 2 — Definition of Ratings

Compliance Areas

Definition	Rating
Agency complied with applicable state requirements and no significant control issues existed.	Fully Compliant
Agency generally complied with applicable state requirements; however, control issues existed that impact the agency's compliance, or minor compliance issues existed.	Compliant, Findings Issued
Agency failed to comply with applicable state requirements.	Noncompliant
Restrictions on auditor's ability to obtain sufficient evidence to complete all aspects of the audit process. Causes of restriction include but are not limited to: <ul style="list-style-type: none">• Lack of appropriate and sufficient evidentiary matter.• Restrictions on information provided to auditor.• Destruction of records.	Scope Limitation

Internal Control Structure/Security Areas

Definition	Rating
Agency maintained effective controls over payments.	Fully Compliant
Agency generally maintained effective controls over payments; however, some controls were ineffective or not implemented. These issues are unlikely to interfere with preventing, detecting, or correcting errors or mitigating fraudulent transactions.	Control Weakness Issues Exist
Agency failed to effectively create or implement controls over payments.	Noncompliant

Repeat Finding Icon Definition



This issue was identified during the previous post-payment audit of the agency.